

# Consolidated Budget Management Guidance

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## Part One: Introduction

February 2025

## Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:

*Regeneration* by Josie Rose



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# 1

## Introduction

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## 1.1 Secretary's foreword

The NSW public sector supports governments to implement their policy priorities, deliver public services and improve the lives for all the people of New South Wales.

NSW Treasury provides governments with financial and economic advice, including on how to efficiently and effectively allocate limited resources to meet objectives and deliver outcomes.

Regardless of our roles, all public servants have a responsibility to appropriately manage public resources.

NSW Treasury provides a range of frameworks, policies, tools and guidance to help ensure public resources are used efficiently and effectively and are improving outcomes for current and future generations.

This Consolidated Budget Management Guidance aims to bring together important information that underpins strong budget, performance and financial management and make it accessible to all public servants, not just finance professionals.

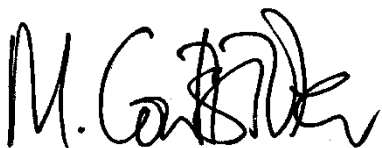
It sets out expectations for the management of budgets alongside key legislation, policies and processes across the end-to-end budget cycle.

We'll review the document regularly to ensure it remains current and incorporate new policies and processes as approved by government.

I encourage you to read and use this guidance to support your day-to-day activities and to build capability within your teams.

And as always, please contact NSW Treasury if you need support or further information.

With my best regards,

A handwritten signature in black ink, appearing to read 'M. Coutts-Trotter', with a stylized flourish at the end.

Michael Coutts-Trotter  
Secretary, NSW Treasury

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## 1.2 Overview

### 1.2.1 Objective

The NSW Government is committed to responsible budgeting, underpinned by fiscal discipline, integrity, accountability and transparency in financial management. Research by the Organisation for Economic Co-Operation and Development (OECD) suggests that responsible budgeting benefits citizens by driving efficiency, greater accountability, and high standards of integrity in the use of public funds. These practices enhance trust in public institutions and allow for a more effective allocation of resources to achieve improved fiscal outcomes.<sup>1</sup>

In New South Wales, responsible budgeting ensures that:

- government resources are effectively targeted and used efficiently
- the State's fiscal position is sustainable, and that debt levels and debt servicing costs remain manageable
- the current and future needs of the people of New South Wales are balanced
- fiscal risks are proactively and appropriately managed
- the State is more resilient to withstand external pressures and shocks.

All ministers and senior decision-makers play a key role in embedding practices that promote strong budget and financial management to realise these benefits.

The NSW Consolidated Budget Management Guidance (the guidance) outlines key requirements and expectations relating to strong budget and financial management in New South Wales, including the expenditure of public money, financial and performance reporting, and information sharing.

The guidance supports ministers and senior decision-makers, particularly those in non-finance specific roles to meet their obligations under the *Government Sector Finance Act 2018 (GSF Act)* and supports the delivery of the government's fiscal objectives.

The guidance also supports a culture of integrity, transparency and accountability in regards to the use of public resources, as well as an evidence-based process to deliver on the government's strategic priorities.

This document consolidates existing policies and guidance for senior decision-makers. It contains details of official guidelines and does not introduce new policies. This guidance should be read in conjunction with existing NSW Treasury policies, detailed operational guidance and communications which will be issued to the sector throughout the year.

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<sup>1</sup> [https://read.oecd-ilibrary.org/governance/oecd-budget-transparency-toolkit\\_9789264282070-en#page5](https://read.oecd-ilibrary.org/governance/oecd-budget-transparency-toolkit_9789264282070-en#page5)

## 1.2.2 A vision for strong budget and financial management

The NSW Government has endorsed six principles to underpin this guidance. These principles outline the Government's expectations for strong budget and financial management and support senior decision-makers to understand their obligations.

General government sector (GGS) agencies are required to follow these principles. Entities classified as public financial corporations (PFCs) or public non-financial corporations (PNFCs), including state owned corporations (SOCs), are encouraged to follow these principles where applicable and appropriate.

### 1. Government resources are to be managed effectively, efficiently, and economically.

All public sector employees are stewards of public resources on behalf of the people of New South Wales. Managing these resources effectively, efficiently, and economically is crucial to achieving value, improving outcomes and building trust with the public.

Senior decision-makers are expected to consider the benefits, risks, and the financial impact on both current and future generations. The practical application of this principle includes:

- developing and maintaining policies and procedures regarding budget, financial, asset and liability management, and maintaining effective risk management procedures
- ensuring the integrity and alignment of financial and non-financial performance information
- complying with all government-wide budget and financial management policies and processes to ensure the efficient management of government resources, including compliance with the GSF Act.

### 2. The sector is responsible for supporting the delivery of the Government's fiscal objectives.

A state's fiscal strategy acts as a compass for the budget. It is a critical component of responsible budgeting by ensuring sustainable spending, taxation and investment. The strategy also guides government decisions to ensure resources are effectively allocated and risks are appropriately managed.

To support this, the public sector must accommodate and consider the government's fiscal objectives through:

- the day-to-day management of budgets, ensuring the cost of delivering services and programs are within approved budgets and sustainable over the short, medium and long-term
- the annual budget process, ensuring that prioritisation of existing budgets has occurred prior to seeking new funding, and that new funding proposals are evidence-based and ensure the highest value of public money
- expenditure reviews and the delivery of any other request by the Expenditure Review Committee (ERC) to reduce or manage costs.

### 3. Information is accurate and transparent to support performance management and resource allocation.

Accuracy and transparency of financial and non-financial information is a core enabler of strong budget and financial management. Transparency supports an effective accountability framework and ensures that decisions are supported by a comprehensive and shared set of information.

Accuracy and transparency of financial and non-financial information applies to:

- the breakdown and allocation of approved budgets and forecasts across an agency's activities



- the performance of existing budgets, services and programs, and the key factors driving the performance
- requests for new funding, which must include appropriate information and evidence to support an investment decision, regardless of whether the investment is for a new or existing activity.

The government's core budgeting and financial management system, Prime, is the source of truth for advising the government on financial allocations and performance. Information presented in Prime must be accurate, reflect information held within agencies, and align with reporting provided by agencies to their Ministers.

The Treasurer (as authorised under the GSF Act) or ERC, may request detailed financial and non-financial information at any time to support performance management and resource allocation decisions. Agencies must have systems and processes in place to readily provide more detailed information than what is available in Prime.

#### **4. Budgets are to be managed holistically to deliver outcomes and meet pressures.**

Pressures and risks associated with existing services and programs must be proactively managed at the agency level and within approved budget allocations. The management of these pressures is enabled through the high degree of autonomy and flexibility that agencies have to manage their budgets. These two elements allow agency budgets to be viewed holistically and resources to be prioritised to deliver on outcomes and priorities.

The proactive management of pressures and risks may encompass:

- the balancing of underspends and overspends across the agency
- reprioritising funds from activities where outcomes can be achieved at a lower cost
- identifying and discontinuing services or programs that offer low value or duplicate other services or programs provided elsewhere
- considering where an activity can be delayed and funding reallocated, if the pressure is a one-off cost
- applying policy levers to reduce the cost of delivery of a service or program.

Government consideration may be required for any policy changes that are required to manage a pressure or risk. This applies when proposals are inconsistent with government's decisions, pose reputational risks to government, or significantly impact service delivery. Limitations to an agency's ability to flexibly manage their budget include where funding is protected under the [Protected Items policy](#), or when expenditure is required to be reduced as part of a government commitment.

#### **5. Agencies must collaborate to drive efficiencies and achieve outcomes.**

Collaboration and cooperation enable public sector organisations to achieve common objectives. Effective collaboration supports the government to meet its priorities and fiscal objectives by ensuring that resources are fully utilised where possible, spending is targeted effectively, and opportunities to reduce costs are proactively identified.

As such, the government expects that ministers and the sector collaborate to achieve shared government outcomes, including participating in and driving reform through the NSW Outcome Networks. Outcome Networks have been established to better support cross-sector collaboration on outcomes where input from multiple agencies is needed for successful delivery. They provide central coordination and ensure effort, resources, and investment are aligned. There are currently 28 NSW Outcomes covering government activities and services.

This expectation extends to the operation of departments and affiliated entities. That is, they must maintain practices and identify opportunities that create efficiencies and streamline information,



including shared services and coordination in relation to whole-of-government processes and reporting.

## **6. Financial and non-financial performance is everyone's responsibility.**

Financial and non-financial performance and accountability must be embedded at all levels of government. Alongside transparency, accountability is a critical component of a budget model that embeds flexibility and a high degree of autonomy.

While there are differing levels of accountability, each public sector employee is responsible for delivering on the government's priorities. This includes, but is not limited to:

- operating within approved budgets and any other financial control set by government, including savings targets
- delivering services and programs in line with budget, milestones and timeframes as set by government
- meeting stated policy objectives and performance metrics.

Performance metrics for delivery against these priorities, including budget management, must be appropriately cascaded through the sector.

## Key terms

| Term                                    | Definition   |
|---|--|
| Affiliated entities                     | Affiliated entities are NSW Government entities aligned with a department, including through Administrative Arrangement Orders and the Allocation of the Administration of Acts. See the Guide to the NSW Public Sector for further detail on NSW public sector governance.  |
| Department                              | A department listed in Part 1 of Schedule 1 to the <u>Government Sector Employment Act 2013</u> (NSW).   |
| Expenditure Review Committee            | A sub-committee of Cabinet responsible for determining the NSW Government's policy in respect of budget management, fiscal strategy and all policy proposals with financial implications.  |
| General government sector (GGS) agency  | An Australian Bureau of Statistics (ABS) classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General government agencies are funded mainly by taxation (directly or indirectly).   |
| Prime                                   | The NSW Government's core budget and financial management information technology platform, which details individual agency budgets and capital programs and is used to produce the budget aggregates.  |
| Protected items                         | A specific budget allocation that cannot be reallocated or repurposed for other priorities, ensuring that the funds are used exclusively for their intended purpose.   |
| Public financial corporation (PFC)      | An ABS classification of agencies that have one, or more, of the following functions: <ul style="list-style-type: none"> <li>• that of a central bank</li> <li>• the acceptance of demand time or savings deposits</li> <li>• the authority to incur liabilities and acquire financial assets in the market on their own account.</li> </ul> |
| Public non-financial corporation (PNFC) | An ABS classification of government-controlled agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation.   |
| State owned corporation (SOC)           | Government entities (mostly PNFCs) which have been established with a governance structure mirroring as far as possible that of a publicly listed company. NSW state owned corporations are scheduled under the <i>State Owned Corporations Act 1989</i> (Schedule 5).   |

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